

7 June 1954

MEMORANDUM FOR: Colonel White

SUBJECT : Budget Control in Administrative Plans

25X1A9a

1. At the request [REDACTED] a meeting was held in my office on 4 June attended by Mr. [REDACTED] the Office of the Comptroller and [REDACTED] from PAPS.

25X1A9a

2. The purpose of the meeting was once more to discuss the need and application of budget-control machinery in administrative plans for certain projects. All present were absolutely convinced that it is most desirable that certain projects be controlled in their implementation not by a single allotment of funds but by an operating budget having sub-allotments or budget limitations to control the amount of money which can be expended for each of the major activities or purposes approved.

25X1A

3. To illustrate the problem, Project [REDACTED] costs many [REDACTED] each year; yet the Agency project-approval system and the budget system of the Agency provide for only a single-allotment control over the entire sum of money. Moreover, the disbursing officers and certifying officers concerned are given no document adequately outlining the scope of approved activities to be undertaken nor indicating the amount of money CIA authorizes for expenditure on each of the several major programs [REDACTED]. Under such circumstances, CIA funds may not be, and frequently are not, expended for the balanced program as approved but may be freely shifted from one approved activity to another, or even expended for unauthorized purposes.

25X1A2d1

25X1A2d1

4. In this particular Project, which I have selected to illustrate the problem, the Director has in the past evidenced direct interest that only a prescribed amount of money (and effort) be expended for each of the several approved activities [REDACTED]. Adequate flexibility has been given to the operating principals to make reasonable adjustments in the budget, but major transfer of funds and effort, or the undertaking of new activities, is prohibited except with CIA approval.

25X1A2d1

Document No. 17

No Change in Class. ☐

☐ Confidential

Class. Changed To: ☐ S ☒ C

Auth: HR 78-78

Date: 11-22-78

By: 35

~~SECRET~~

Approved For Release 2001/05/10 : CIA-RDP78-04718A000900210033-5

25X1A

5. Despite these facts, CIA has not yet been able to formalize these stipulations on a continuing basis in an administrative plan for the conduct [REDACTED] PAPS at the present time has other projects [REDACTED] is a specific example) which, in the opinion of PAPS and the Comptroller, warrant more detailed control than that afforded by a single allotment. A major impasse exists in that the Area Divisions of DD/P, the [REDACTED]/DDP, the Comptroller, and PAPS itself have not been able to develop a budget-control system (nor language for the expression of such a system for use in administrative plans) which is mutually acceptable.

25X1A

6. One major problem appears to be the fact that DD/P components challenge the authority of the Comptroller and PAPS to insert such controls into an administrative plan.

25X1A

7. In our discussions on this point, we referred back to [REDACTED] the Confidential Funds Regulations, which places a responsibility jointly on DD/P and DD/A to approve an administrative plan which will provide optimum standards of sound administration compatible with security and operational circumstances. Thus, if it is the Comptroller's and PAPS' opinion that a project requires more detailed budgetary control to ensure sound administration, such provisions should be incorporated into the administrative plan. Dissenters have the clear option to non-concur and the DD/P and the DD/A will support one position or the other, or the matter will be resolved by the Director.

8. On this basis it was the consensus that Project [REDACTED] would be so handled as a test case, and the balance of the meeting was concerned with the type of budgetary control which seemed warranted and the language to be used in setting forth the necessary requirements.

25X1A2d1

9. The undersigned presented to the group his opinion that the best way to solve this problem in a harmonious manner was not to fight over each individual project, but rather to develop a common concept and system for all appropriate projects. The simple fact is that CIA has not adopted any integrated concept of project approval for the planned administrative control of projects and, which is most important, CIA lacks an adequate system of budgetary and fiscal control over operational funds.

25X1A

10. As an example of this deficiency, the PRC or the Director approve individual projects requiring funds in excess of \$25,000; yet [REDACTED] are approved for projects in such general terms that there is absolutely no assurance that the monies will in fact be expended for the purposes the authorizing official had in mind.

Approved For Release 2001/05/10 : CIA-RDP78-04718A000900210033-5

~~SECRET~~

Furthermore, the authorizing official cannot be sure these funds will not be expended for purposes of which he would disapprove, were he aware of them.

11. The single-allotment system, as the sole independent countercheck to the expenditure of funds, is grossly inadequate for many operational projects running each [REDACTED]. It is an unfortunate fact that the Comptroller is not even furnished with a succinct statement of the various activities contemplated which are being authorized for implementation, nor with a budget showing either the basis upon which the total amount of funds required was compiled or indicating the amount of funds authorized (at least in theory) for each of multiple activities which are often included in a single project. Under these circumstances the Comptroller cannot fulfill his normal function of assuring that the activities conducted under specific projects are within the over-all scope of the project as approved, to say nothing of assuring that funds are not diverted from one objective set forth in the project to other objectives.

25X1A

12. In terms of the above, I advised the group that it was my honest conviction that there would never be a sensible, generally-accepted solution to these problems until the Agency made an objective study of its over-all system for the planning, authorization and administration of operational projects. The present system consists of a series of unrelated (and often conflicting) regulations which do not constitute an adequate, integrated system for the control and direction of operational activities.

13. I also advised the group that I was preparing a staff study designed to bring out this problem with the objective of securing official action to remedy the situation.

[REDACTED]  
25X1A9a

cc: Comptroller  
cc: Chief, PAPS

DDA:EDE:mj  
1-DDA chrono  
1-DDA subject ✓